

Message Text

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ACTION EUR-12

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T.O. 11652: GDS TAGS: EINV, IT

SUBJECT: CONTINUING DIFFICULTIES OF AMERICAN SUBSIDIARIES IN NAPLES

REF: NAPLES 0099, 0098, 0068, 0059, 0048

1. SUMMARY: MANAGERS OF TROUBLED AMERICAN SUBSIDIARIES IN NAPLES INDICATE THAT LOCAL POLITICAL AND UNION PRESSURES FOR GUARANTEES OF PRODUCTION AND EMPLOYMENT LEVELS BUILDING, WHILE THEIR CORPORATE HIERARCHIES REMAIN DIVIDED AND INDECISIVE. IN SPITE OF INCREASED SENSITIVITY TO VOLATILE NAPLES ENVIRONMENT ON PART OF LOCAL MANAGERMENTS, PRESSURES MAY FORCE PREMATURE DECISIONS BY CORPORATIONS, WHICH COULD, IN TURN, CAUSE DETERIORATION OF ENVIRONMENT FOR ALL.
2. FEB. 8-9, CONGEN COMMERCIAL OFFICER DISCUSSED PREVIOUS WEEK'S

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DEVELOPMENT IN SEPARATE CONVERSATIONS WITH LOCAL MANAGERS OF RICHARDSON-MERREL (HERNANDEZ), SPERRY-SUD (ROSSI) AND GENERAL INSTRUMENT EUROPE (CORRADETTI).

3. HERNANDEZ STATED THAT RICHARDSON-MERRELL HAS DECIDED TO DISMISS 350 OF FIRM'S 900 WORKERS AFTER JULY 1, 1975. HOWEVER, GROWING AGITATION AT NAPLES PLANT (INCLUDING STRIKES, PARADE THROUGH CITY'S VOMERO AREA, AND PUBLIC MEETING -- ALL DURING PAST WEEK) MAY CAUSE FIRM TO TAKE DISMISSAL ACTION MUCH SOONER. HERNANDEZ VOICED DOUBTS THAT EVEN RELATIVELY SMOOTH DISMISSAL ACTION COULD RESOLVE FIRM'S

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DIFFICULTIES, WHILE MORE LIKELY SCENARIO (WITH PLANT OCCUPATION,

ETC.) COULD DESTROY SUBSIDIARY'S PROFITABILITY FOR YEARS TO COME. THEREFORE, HE HOPES TO CONVINCE TOP CORPORATE OFFICIALS TO APPROVE ATTEMPT TO SELL FIRM TO GOI-HOLDING COMPANIES. IF HERNANDEZ SUCCESSFUL, INITIAL APPROACHES TO GOI MINISTRIES COULD BE MADE BEFORE END OF FEBRUARY.

4. ROSSI INDICATED THAT SPERRY-SUD'S FUTURE REMAINS AS CLOUDY AS BEFORE. AFTER WEEK OF CORPORATE MEETINGS IN ROME, ROSSI MUST FACE UNION PROVINCIAL SECRETARIES AT LONG-SCHEDULED MEETING FEB. 10, WITHOUT PROMISED PLANS FOR FUTURE PRODUCTION PROGRAMS. HE WILL BE ABLE TO STATE ONLY THAT, BECAUSE OF DIFFICULT SITUATION IN BUSINESS

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MACHINE/DATA PROCESSING SECTOR, FUTURE PRODUCTION PLANS CANNOT BE PRESENTED BEFORE APRIL, AND POSSIBLY JUNE. ROSSI FEARS THAT THIS WEAK STAND MAY TRIGGER UNION AND POLITICAL REACTIONS, WITH FIRM LIKELY TO BE CALLED TO REGIONAL OFFICES AND EVEN ROME MINISTRIES TO CLARIFY ITS POSITION.

5. CORRADETTI STATED THAT GENERAL INSTRUMENT'S (GI) POSITION IS QUOTE STATIC UNQUOTE, AS ASTUTE PROPOSAL BY DISMISSED WORKERS HAS PLACED MANAGEMENT IN EMBARRASSING POSITION, AND REOPENED STRATEGY DEBATE IN FIRM'S DIVIDED INTERNATIONAL HIERARCHY. WORKERS HAVE PROPOSED THAT, IF DISMISSALS WITHDRAWN, THEY WILL MAKE ALL-OUT EFFORT TO RESTORE LOCAL PLANT'S PROFITABILITY DURING COMING YEAR. IF FIRM STILL IN RED, THEY WILL RESIGN QUIETLY, AND HAND BACK SEPARATION BONUSES TO FIRM AS COMPENSATION FOR PAY DRAWN DURING THE YEAR. ACCORDING CORRADETTI, PLAN NEITHER PRACTICAL NOR WOULD IT BE LAWFUL. HOWEVER, SHOULD GI TURN IT DOWN (WHICH IS LIKELY), THE FIRM WILL APPEAR INTRANSIGENT, AND ITS POLITICAL POSITION WILL BE FURTHER WEAKENED. MEANWHILE, SITUATION WITHIN GI PLANT REMAINS QUIET AS, ACCORDING CORRADETTI, WORKERS CONVINCED THAT EITHER THEIR PROPOSAL OR POLITICAL INTERVENTION WILL SAVE THEIR JOBS.

6. ALSO, DURING PAST WEEK, SMALL MILK AND DAIRY PRODUCTS SUBSIDIARY

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OFSERVITE INTERNATIONAL, OF NEW PRESTON, CONN., HAS DISMISSED TWENTY EMPLOYEES AT SAN GIORGIO (NAPLES) PLANT AND IS BEGINNING LIQUIDATION LIMITED OFFICIAL USE

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PROCESS. SERVITE, WHICH HAD SUPPLIED PRODUCTS FOR EXCLUSIVE USE OF US AND NATO FORCES IN ITALY, LOST US GOVERNMENT CONTRACT FEBRUARY 1. COMMANDING OFFICER, U.S. NAVAL SUPPORT ACTIVITY, NAPLES, HAS ASSURED US THAT SERVITE HAS ADEQUATE FINANCIAL MEANS AND FULLY INTENDS TO MEET ALL OBLIGATIONS TO DISMISSED WORKERS AND SUPPLIERS. HOWEVER, WORKERS HAVE OCCUPIED PLANT TO SUPPORT DEMANDS FOR PAYMENTS OVER-AND-ABOVE LEGAL SEPARATION BONUSES, AND LIQUIDATION UNLIKELY TO BE COMPLETED EITHER RAPIDLY OR SMOOTHLY.

7. COMMENT: IN CONVERSATIONS WITH CONGEN OFFICERS, LOCAL MANAGERMENTS OF US SUBSIDIARIES EVIDENCING GREATER AWARENESS OF CONSEQUENCES THEIR DECISIONS FOR ALREADY DIFFICULT POLITICAL/ECONOMIC ENVIRONMENT AND FOR OTHER US FIRMS IN AREA. THEY (AND WE) PARTICULARLY CONCERNED RE POTENTIAL NEGATIVE IMPACT OF SUDDEN DISMISSAL ACTION BY RICHARDSON

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MERRELL, WHICH HAS JUST COMPLETED NEW BIOLOGICAL AND BLOOD FRACTIONAL I-ZATION PLANT (WITH SUBSTANTIAL ITALIAN GOVERNMENT FINANCIAL ASSISTANCE) AND WHICH POSSESSES ONE OF FEW RESEARCH LABORATORIES IN SOUTH. HOWEVER, RECOMMENDATIONS OF LOCAL MANAGERS ONLY ONE (AND, OFTEN, NOT DECISIVE) FACTOR IN DECISIONS OF US BOARDS OF DIRECTORS,

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WHERE DISTANCE AND WORLD-WIDE DIFFICULTIES DIM APPRECIATION OF PARTICULAR FACTORS OF VOLATILE NAPLES ENVIRONMENT. HOROWITZ

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